



THRONE SPEECH

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Fixing our Problems.....Positioning for Growth

Delivered by

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GORDON HOUSE

As we begin this new session of Parliament, we reflect on the legislative year just ended with cautious relief and renewed hope.

It was a year in which the global crisis continued to bear down heavily on the economy. As the economy contracted, revenues fell below what was required to meet essential government expenditure. Despite exerting tight restraint on expenditure, it became necessary to increase taxes. Painful though it was, the government had no choice. It was the only way to avoid a fiscal crisis.

IMF agreement

Against this background, the government entered into negotiations with the International Monetary Fund for a standby agreement to secure the financial support needed to assist the country through this difficult period. We are one of many countries that found it necessary to do so.

The negotiations were protracted because of our acute economic circumstances - many years of accumulated fiscal deficits, spiralling debt and anaemic growth. Thus, the economic programme which formed the basis of the IMF agreement had to address not only our immediate needs but the underlying dysfunctionalities that, for so long, have placed severe strain on the economy for many years.

As a result of the IMF agreement, we will receive substantial support from the multilateral agencies amounting to approximately US\$2.2 billion over the next two years. With that agreement comes a requirement and obligation to put our house in order.

Need for fundamental change

Even if the global crisis had not occurred, we could not have continued in the ways of the past where government expenditure continuously outpaced government revenues, fiscal deficits persisted year after year and the national debt grew so large that the cost of servicing it exceeded our total revenues and consumed more than a half of our total

budget. The global crisis has given compelling urgency to the need for fundamental change.

The overarching objective of the government is a return to growth - growth that is sufficient and sufficiently sustained to create new jobs, increase foreign exchange earnings and boost our revenues so that we can graduate from deficits to surpluses, begin paying down our debt and be able to invest more in developing our human resources, providing better infrastructure and improving the delivery of government services.

Creating the conditions for growth is the first goal of the government's Medium Term Economic Programme. This requires substantial improvement in our fiscal and monetary dynamics and the fiscal restraint which will be evident in this year's budget reflects the government's firm commitment to that purpose.

Jamaica Debt Exchange

A significant component of the economic programme was the Jamaica Debt Exchange. The cost of servicing the domestic debt at interest rates that ranged as high as 28% was unsustainable. In the context of a new era of fiscal discipline supported by the strong resolve of the government and under the oversight of the IMF, bondholders were invited and encouraged to surrender high cost debt in exchange for lower-yielding instruments. They responded magnificently. This exercise was unprecedented in Jamaica and its outcome - 99.2% participation - is unprecedented anywhere in the world. We commend the financial institutions and the individual bondholders, large and small, for this significant investment and demonstration of confidence in Jamaica's future.

The debt exchange programme was designed to reduce the cost of borrowing - not just to ease the burden on the government which is the largest borrower but to make it cheaper for businesses to borrow and invest.

Transformation process

The transformation that is required cannot be completed in any one budget year. It is a process that must be pursued diligently and steadfastly so that as less of the country's resources are required to meet government expenditure, more will be available for real investment in the real economy. As interest rates come down, these investments will offer more attractive returns than investing in government paper. As we reduce and ultimately eliminate the fiscal deficit, more of the national budget can be allocated to the capital investment that is needed to support growth and development.

The programme calls for understanding among all of our nation's stakeholders - communities whose need for better roads and water supply cannot all be satisfied immediately, public sector workers whose demand for improvements in wages must be tempered by an appreciation of the country's economic challenges and the general public whose patience must be sought as we work to improve government services within the limits of the resources that are available.

Public Sector

Preliminary work toward the transformation of the public sector is well advanced and the rollout of the necessary restructuring will commence this year. This programme will involve the amalgamation of some government agencies and departments, winding up of some government entities, reallocation of resources, realignment of authority and responsibility, consolidation of some services and outsourcing of others and improved performance accountability. The objective is to achieve a more efficient, less bureaucratic and cost-effective public service.

Our approach in the development of the medium term programme has benefitted from collaboration among critical stakeholders from the private sector, trade unions and academia through the Partnership for Transformation. The participation of the Opposition has been encouraged.

Sound fiscal management is a necessary but not sufficient condition for growth to take place. Growth can only come from new investment in new and existing enterprises.

Investment-led growth

Within the current fiscal constraints, priority in the allocation of government's scarce resources will be given to advancing the Education Transformation Programme, undertaking critical road and water supply projects, improving public transportation and providing affordable housing solutions. As the economic climate improves, the government will be targeting strategic investments in critical areas such as tourism, information and communication technology and logistics which offer significant job-creating opportunities. Discussions are being held with a view to having at least one of our alumina plants reopened this year. Details of these programmes and initiatives will be provided in the debate on the Estimates and the sectoral debate that will follow.

But it is to the private sector that we must look for the investments that must be made to get the wheels of the economy turning, generate new jobs and create opportunities for others to invest. Now that interest rates are on the decline, foreign exchange supply is secure, a rigorous economic programme is in place and the signs of recovery in the global economy are emerging, we look to the private sector to be the vanguard of our own recovery. The government reaffirms its commitment to do all it can to facilitate this new drive and to support businesses, large and small, to invest, produce and grow.

More support for the poor

In these harsh economic times, the poor are the least able to cope. They are the prime victims of a crisis they did nothing to cause and to the resolution of which they are least able to contribute. This year, the government will be strengthening the social safety net targeting additional resources to assist the most vulnerable in our society with special emphasis on the children of the poor.

Good performance of tourism and agriculture

Despite the difficulties that were experienced last year, we are encouraged by the performance in tourism and agriculture. We increased our stopover arrivals by 3.6%, outperforming all other Caribbean destinations and being one of only three countries in the region to record improvement over the previous year.

Agricultural production increased by 12% despite the drought we have been experiencing in recent months. Our farmers have demonstrated that they are capable of producing and that they can grow more of what we eat. They are to be commended and supported. We pray that the drought will break soon so that these gains are not eroded. With improved extension services, marketing and integration with the manufacturing sector, agriculture offers significant opportunity for investment and further growth.

Natural disasters

We are thankful that we were spared any natural disasters last year. Even as we give thanks, we grieve with the people of Haiti and Chile on the terrible loss of lives and destruction that resulted from the devastating earthquakes they suffered. Our hearts go out especially to the people of Haiti who, for so long, have borne much distress and now face the daunting task of rebuilding their lives and their country. Jamaica responded swiftly to the crisis in Haiti and we thank the Jamaica Defence Force and our medical, fire service and disaster management personnel for their sterling efforts in rendering assistance in the wake of the tragedy. They have made us exceedingly proud.

Foreign relations

Jamaica has remained actively engaged in foreign relations and has participated in several important initiatives especially in forging greater unity among Caribbean and Latin American countries. Last year, Jamaica was admitted to full membership of the Rio Group. Jamaica was also named a member of the troika that prepared the ground for the declaration in Cancun last month establishing the Community of Latin American

and Caribbean States, embracing the legacy of the Rio Group and the Summit of Latin America and the Caribbean for Integration and Development.

In July, Jamaica will assume the chairmanship of CARICOM at a time when the region will be confronted with several critical issues including the rebuilding of Haiti, free trade negotiations with Canada, the review of trade preferences by the United States and the unfinished agenda for implementation of the Caribbean Single Market and Economy.

Global warming

Jamaica is disappointed that the much-heralded conference on climate change held in Copenhagen in December delivered much less than was expected and failed to arrive at binding agreements on emissions reduction, caps on temperature rise and adequate funding for mitigation and adaptation. Global warming poses a real threat to the survival of small island states, the majority of whose population live in low-lying coastal areas. We will continue to work relentlessly with other concerned and committed nations to secure a legally binding international convention to save the planet from the danger of global warming.

Intensifying the fight against crime

Crime remains a major concern to the nation. While there is a correlation between the contraction in the economy and the increase in criminal activity, much of it stems from criminal gangs that have embedded themselves in communities across the island and established highly organized networks. They must be rooted out and the security forces will continue their efforts through improved surveillance, better use of intelligence, detection and investigation to bring the perpetrators to justice.

The security forces need the support and cooperation of the populace. The populace need the respect and protection of the security forces and they both need strong action on the part of the Parliament.

The existing statutory provisions for dealing with crime were not designed to repel the kind of organized assault that is being waged against law-abiding citizens.

The government intends to introduce in Parliament this year tough anti-gang legislation to strengthen the powers of our law enforcement agencies to smash criminal gangs. The government will also be reintroducing the anti-crime Bills which have languished for lack of consensus and will be asking Parliament to enact whistleblower legislation to encourage and protect those who can provide valuable information on criminals and wrongdoers. The government will be giving priority to these measures and it is hoped that a united approach can be taken to enacting the necessary legislation to strengthen our law enforcement capabilities. We must send a clear signal not only that crime does not pay but that it is the criminals who must pay.

Protecting citizens' rights

While we strengthen the fight against crime, we must be ever mindful that the rights of our citizens must be protected and that it is only in circumstances where it is so required in the national interest and, even so, in strict accordance with the provisions of law that those rights may be abridged.

Parliament recently passed landmark legislation to establish the Independent Commission of Investigations to be responsible for investigating instances of possible and alleged abuse of citizens' rights by agents of the State including members of the security forces.

Regrettably, the Charter of Rights Bill which was debated by the House of Representatives did not achieve passage before the prorogation of Parliament. The government and the opposition have agreed to act with dispatch to pass this Bill in this legislative session along with the appropriate measure to address the issue of capital punishment. The Charter of Rights which will strengthen and protect the rights of every citizen has been under deliberation for almost two decades. We owe it to our citizens to deliver on that promise this year.

Strengthening the role of Parliament

Toward the end of the last session, the House of Representatives adopted the report of the Standing Orders Committee which recommended a number of amendments designed to strengthen the role of Parliament and render governance more transparent and accountable. The House should move swiftly to amend the Standing Orders accordingly and it is hoped that the Senate will do likewise.

Better treatment for children in trouble

The unsatisfactory treatment of children detained or remanded in custody or confined to juvenile correctional centres was highlighted during the past year. The recommendations of the Commission of Enquiry into the terrible tragedy at Armadale have been accepted and every effort will be made to implement these recommendations this year. New juvenile remand and correctional centres will be established so that the practice of children being held in police lockups will cease and those ordered to correctional facilities will be properly accommodated and exposed to appropriate programmes to address their behavioural challenges and development needs.

Last year, Parliament enacted the Sexual Offences Act and the Child Pornography (Prevention) Act with stringent provisions and stiff penalties providing protection especially for children.

This year, the government will be introducing a programme supported by the necessary legislation to enhance Child Justice, strengthening the responsibilities of both the State and parents in the care and welfare of our children.

Saluting our sporting heroes

Our sportsmen and sportswomen continue to do us proud. Following on our significant achievements at the Beijing Olympics in 2008, we performed even more spectacularly at the World Athletic Championship in Berlin last year, winning 13 medals - 7 Gold, 4

Silver and 2 Bronze - and placed 2nd behind the United States in the medal tally. No praise is too high for the Hon. Usain Bolt O.J., who again shattered the world record in the 100 and 200 meters.

Conquering the high seas

We approach the new legislative year with renewed hope and cautious optimism. We have ridden the waves and although the sea billows rolled and buffeted our ship, we have weathered the storm. We have not yet found calm waters but the worst has passed. We must now mend our sails, set our compass and conquer the high seas.

Our strength and resilience as a people have been tested and we have not been found wanting. The building of our nation, the creation of a strong economy that will support the needs of our people and the attainment of peace and prosperity for all is the task at hand. Let us to that task repair.

The Estimates of Expenditure will be laid before you this afternoon. May God's wisdom guide you in your deliberations and may his blessings continue to rest on the people of Jamaica.